Australian government installs new central bank chief to put fresh face on offensive against workers

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The Labor Party government yesterday unveiled its selection of a new Reserve Bank of Australia (RBA) governor, just weeks after she gave a speech to business leaders declaring the need for higher unemployment.

The Albanese government is installing Michele Bullock after she made explicit the policy of the RBA, and the government itself, to drive up joblessness to keep imposing the burden of the global economic and inflationary crisis on the backs of working-class households.

Above all, Bullock's appointment signals a reassurance to the financial and corporate elite of Labor's ongoing commitment to their profiteering interests. At the same time, acutely aware of brewing discontent among workers, the government is making a desperate bid to put a new image on the offensive against workers' wages, jobs and living conditions.

Bullock, an RBA official for almost four decades, is regarded in the Labor Party and other ruling circles as even more aggressive than the current RBA governor Philip Lowe in ratcheting up interest rates, particularly for home mortgages. That is in order to keep cutting real wages by crunching the economy and throwing thousands of workers out of a job over the next 18 months.

Lowe became a scapegoat for this drive. Yet it is backed by the Albanese government, in line with what governments and central banks are doing internationally to slash wages compared to the soaring cost of living. The Organisation for Economic Cooperation and Development (OECD) reported this week in its 2023 Employment Outlook that real wages fell by an average of 3.8 percent in its 34 member countries in the first quarter of 2023 from a year earlier.

The Albanese government decided not to extend Lowe's seven-year term once he became notorious for the RBA lifting interest rates 12 times since May 2022. From a record low of 0.1 percent—set in 2020 to help boost corporate profits during the first stages of the COVID-19 pandemic—the RBA cash rate has risen to 4.1 percent, and is expected to go higher.

Already that process has inflicted enormous financial pain and stress on working-class households, many of which took out mortgages after Lowe, on behalf of the RBA, assured them, until late 2021, that the bank would not hike rates before 2024 at the earliest.

These rate increases have already slashed living standards. They have cut more than $1,200 a month from the disposable income of households holding an average $500,000 mortgage, and even more from those who have larger debts.

Much worse is to come. In what has been dubbed a "mortgage cliff," an estimated 1.2 million households will come off low short-term fixed mortgage interest rates by early next year, mostly trebling their monthly repayments.

On the back of the rate rises, landlords are also ratcheting up rents, which have jumped by as much as 30 percent over the past 12 months in some major cities. A deep housing and social crisis now exists, with homelessness rising along with unprecedented resort to food charity handouts.

In announcing Bullock's appointment, Treasurer Jim Chalmers again flatly defended the remarks she made to an employers' function in June, where she said the official unemployment rate of 3.6 percent was too low. It would "have to rise" to at least 4.5 percent, supposedly to bring inflation under control. That means destroying anywhere between 140,000 and 150,000 jobs.

Chalmers said Bullock's comments "just reflected what the Treasury expects and what Reserve Bank expects," adding "we are both expecting to see a tick up in the unemployment rate." Chalmers' reference to "tick up" once more reveals the government's contempt for the workers who will bear the brunt. His defence of Bullock's declaration underscores the fact that this is the policy of the Labor government itself.

As deputy RBA governor for the past 14 months, Bullock has been involved in every decision to raise rates at a record pace during that period. But Labor's leaders are hoping that, as the RBA's first female chief, she can present a better public image, and deflect unrest away from their own direct political responsibility for the hardship being experienced by millions of people.

According to the *Australian's* associate editor, Eric Johnston, "recent internal Labor polling has shown the anger is quickly shifting onto the government." Citing unnamed "Labor insiders," he reported their comments that "a female will help soften the hard image of a central banker serving out more pain in the suburbs." This was essential because unemployment would rise in the coming 12-to-16 months, leading to "more poison" for the government.

Under Labor's proposed changes to the RBA, Bullock will front media conferences after each meeting of the RBA board, effectively taking the rap for future rate rises. The *Australian Financial Review* said the government felt Bullock would be "a more articulate spokesperson at the mandatory press conferences."

At the same time, the newspaper reported, "the appointment of an RBA insider was designed to send a message of continuity that there would be no dramatic change in monetary policy, to placate markets and business."

Business and finance groups certainly welcomed the decision, as did the editorials in the corporate media. *Australian Financial Review* economics editor John Kehoe wrote: "The elevation of the straight-talking Bullock sends a positive signal to the financial markets and the public that the Albanese government backs the RBA's once-in-a-generation inflation fight."

Australian Council of Trade Unions (ACTU) secretary Sally McManus also backed Bullock's installation. She was speaking on behalf of the trade union bureaucracy, on which the Labor government relies heavily to enforce its wage-cutting policies. Just as nervous as the government over the hostility developing among workers, McManus promoted the ludicrous illusion that Bullock's appointment could see a "reset" over the use of unemployment and interest rates to fight inflation.

The truth is that Bullock, endorsed by the Labor government, will continue the offensive against workers, in sync with central banks around the world, to fuel corporate profits. The OECD 2023 Employment Outlook confirmed that profits are soaring at workers' expense, with Australia recording one of the largest increases. Between late 2019 and the March quarter this year, unit profits in Australia rose by 26.1 percent, even higher than the OECD average of 21 percent.

While some union bureaucrats criticised Bullock's appointment, because of the nakedness of her remarks last month, the Albanese government is entrenching their role in the RBA. In April, the government appointed two former ACTU assistant secretaries, Iain Ross and Elana Rubin, to the RBA board.

As such, they will help preside over an ongoing and historic attack on working class conditions. The share of wages in the Australian economy has fallen already over the past four decades to record post-World War II lows, while the share of profits has grown to historic heights.

Workers' wages are obviously not the cause of inflation. As even the OECD's reports show, most of the price hikes that are crippling working-class households are due to corporate profit-gouging. That is intensifying the underlying crisis produced by the unchecked pandemic, the pouring of trillions of dollars into the global money markets and the US-NATO war against Russia in Ukraine.

Worldwide, this corporate-government offensive is triggering explosive workers' struggles, from the actors' and writers' strikes in the US, to the stoppages and unrest in the UK, France and across mainland Europe, and the ongoing upsurges in India and Sri Lanka.

The global character of the eruption of the class struggle, and the role of the union apparatuses in seeking to suppress it, shows the need to build rank-and-file committees, outside the grip of the union bureaucrats, to link up with workers worldwide facing similar attacks through the International Workers' Alliance of Rank-and-File Committees.